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DIFFERENT KINDS OF EMPLOYMENT STATUS - INFORMATION FOR CLIENTS

Walsh West Certified Chartered Accountants 2021

What is my employment status? What are the types of employment status?

Different kinds of employment status

The different ways you can be employed make a big difference to how you pay tax and National Insurance, save for your retirement and your rights at work. In this guide you can find out more about the different kinds of employment.

- Employee
- Worker
- Self-employed
- Independent contractor
- Freelance
- Zero hours contract
- Gig economy
- Apprentice

Employee:

This guide covers most employment statuses, but there might be some where you fall into a grey area. Organisations like ACAS might be able to help you in these situations. Most working people in the UK are classified as employees and work under an employment contract, which explicitly lays out the benefits and duties of the 'employee' and the 'employer'.

Employees have access to a wide range of in-work benefits including:

- Statutory Sick Pay
- Holiday pay
- Statutory maternity, paternity and adoption leave and pay.
- Statutory Redundancy Pay.

Employees are paid on a Pay as You Earn (PAYE) basis, which means tax and National Insurance Contributions (NICs) are usually automatically deducted.



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You are entitled to be paid at least the National Minimum Wage or National Living Wage. These rates vary depending on your age and if you are an apprentice.

Worker:

Worker status is similar to an employee, but on a more casual basis.

Workers' rights:

As a worker, you are entitled to some statutory rights including the minimum wage and paid holiday, but usually are not entitled to redundancy pay or minimum notice periods.

Access to statutory sick, maternity, paternity, and adoption pay, as well as shared parental leave, varies depending on your employer.

Agency workers:

Agency workers have a contract with an employment or recruitment business and are then hired out to work for the agency's clients, usually on a temporary basis. However, your employment status can vary. Most are classified as workers, with some employment rights, such as the National Minimum Wage and paid holiday.

You can also be self-employed and work through an agency, often called a contractor. You will not have any employment rights, but you will have fewer obligations to the agency, for example, you will usually be able to send someone else in your place. Less common are agency employees, who are on what is called a 'pay between assignments' contract. Normally, agency workers only get paid when they are on assignment, but agency employees continue to get paid, even when they are not working.

Agency employees have full employment rights, but often have more obligations to the agency. For example, it is harder for them to turn down work and might have to work a minimum number of hours each week.

Entertainment and modelling agencies:

If you signed-up with an entertainment or modelling agency, the rules are slightly different. Agencies can charge fees for finding you work, but this depends on the kind of work you're looking for.

Self-employed:

Over 5 million people in the UK are self-employed.



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Source: Office for National Statistics (ONS), 2020

Being self-employed is both an employment and a tax status. It covers a wide range of people, from those running their own business to freelancers and people working in the gig economy.

There are some main indicators to determine whether or not you are self-employed:

- You run the business and are responsible for its success or failure.
- You are able to send someone else to do the work for you.
- You set the price for the work and can decide how and when the work is done.
- You use your own money to buy business assets and cover running costs.
- You are responsible for fixing unsatisfactory work in your own time.
- You can work for more than one client at once.

You will be responsible for paying your own tax and National Insurance Contributions (NICs), so you will need to register as self-employed and fill in a Self-Assessment tax return.

Rights if you are self-employed:

As you work for yourself, you have no legal right to any employment benefits. However, you are covered under certain Health and Safety legislation and, in some cases, protected against discrimination.

Independent contractor:

Independent contractors are self-employed and usually provide highly skilled work to clients on an 'as needed' basis.

As you are self-employed you will need to register with HMRC to pay your own tax and National Insurance.

Rights as a contractor:

This largely depends on who you are working for and the contract you have agreed.

Independent contractors will often be classified as workers and have access to basic employment rights, normally if you are on a three-month or longer contract.

You will be covered under Health and Safety legislation as the person employing you is responsible for maintaining a suitable working environment.

Construction Industry Scheme (CIS):



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If you are a subcontractor in the construction industry you should enrol in the Construction Industry Scheme (CIS). If you do this, the contractor employing you will make tax and NICs payments to HM Revenue and Customs (HMRC), similar to if you were being paid on a PAYE basis. You will still need to complete a self-assessment tax return and pay tax on your income, but what has been paid by the contractor will be deducted from what you owe.

Freelance:

Similar to a contractor in that you are contracted on an 'as needed' basis. The key difference being freelancers generally do not commit to working for the same company for long periods of time and can work for multiple companies simultaneously. Some examples of freelance workers include writers, journalists, graphic designers, video editors and photographers.

You are classified as self-employed for tax purposes, but work for other people, rather than for yourself.

You will need to register for Self-Assessment and submit a tax return each year.

Rights as a freelancer:

As you are self-employed, your rights are limited, but you do have some rights under health and safety and discrimination legislation.

Zero hours contract:

Over 1 million people are on zero-hours contracts. A zero-hour contract is where you are employed by a company, but they do not guarantee you a set number of hours of work.

This kind of contract is becoming increasingly common in many sectors including the hospitality industry, warehouse work and couriers.

You should be paid by PAYE, so you will not need to register for Self-Assessment to declare your income from zero hours contracts. However, as a self-employed person, you can agree to work on a zero-hour basis and pay your tax through Self-Assessment.

Rights on zero hours contract:

If you are on a zero-hour contract, you will most likely be classified as a 'worker' and be entitled to basic employment rights including the National Minimum or Living Wage and annual leave. More rarely, you will be classified as an 'employee' and have access to full employment rights. If you meet certain requirements, you might also be entitled to enrol in a workplace pension.

Gig economy:



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Around 4.7 million people are employed in the gig economy in the UK.

Source: Research by the Trades Union Congress and the University of Hertfordshire, 2019

If you work in the gig economy you will commonly use an intermediary, such as an app or a website. This acts as a go between, linking workers with customers.

In exchange for this service, the workers' pay a charge to use the service, normally 10 or 15% of what they earn from the work.

Common gig economy platforms include ride hailing company Uber, food delivery company Deliveroo and courier Yodel.

The work is flexible, in that you can choose the hours you work and there is nothing forcing you to work certain times.

At the moment, many people in the gig economy are classed as self-employed and will submit a Self-Assessment tax return. However, there have been a number of high-profile court cases recently challenging this classification. Some companies now class people operating on a gig economy basis as workers, which includes access to certain in-work benefits. But this does not apply to all work in the gig economy and a number of these ruling are under appeal.

Rights in the gig economy:

As you are technically self-employed, you have very limited employment rights. However, there are a number of high-profile court cases involving large gig economy platforms challenging the idea that workers are self-employed.

Apprentice:

Apprenticeships are a way of gaining first-hand work experience and a qualification, while earning a salary. They take one to five years to complete and are open to anyone over the age of 16, who is not enrolled in full-time education.

If you are under 19 or in the first year of an apprenticeship, you are entitled to the minimum wage of £4.15 per hour. This goes up if you are over 19 and have completed your first year.

Rights as an apprentice

If you are an apprentice working more than 33 hours a week, then you are entitled to the same benefits as any other full-time employee, including sick pay, annual leave and maternity and paternity pay.



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